

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: JULY 11, 2011

TO: PARTICIPANTS IN THE CITY OF ALEXANDRIA RETIREMENT INCOME PLAN FOR DEPUTY SHERIFFS, MEDICS, AND FIRE MARSHALS

THRU: STEVEN BLAND, RETIREMENT ADMINISTRATOR 

FROM: LAURA B. TRIGGS, ACTING CHIEF FINANCIAL OFFICER

SUBJECT: IMPORTANT INFORMATION REGARDING CHANGES TO THE RETIREMENT INCOME PLAN FOR DEPUTY SHERIFFS, MEDICS, AND FIRE MARSHALS

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### Overview

- City Council adopted changes to the Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians [now called Medics], and Fire Marshalls (the "RIP").
- Employees' individual accounts in the RIP are 100% vested as of May 10, 2011.
- The City RIP account at Prudential is being terminated.
- Employees with current RIP account balances have the choice to roll-over their accounts to a plan of their choice or withdraw from their accounts if they take the steps necessary for Prudential to complete the transactions by October 17, 2011.
- After October 17, 2011, RIP account balances remaining at Prudential will be moved to the 457 Deferred Compensation Plan with ICMA-RC (the "457 Plan").
- Any future City RIP contributions will be paid into the 457 Plan.

### City Council Adopted Changes to the RIP

On May 10, 2011, City Council adopted the Second Amendment to the City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians (now called Medics), and Fire Marshalls (the "RIP"). The RIP is qualified under section 401(a) of the Internal Revenue Code as a defined contribution plan. A defined contribution plan links benefits to contributions and investment returns. The City contributed a percentage of employees' pay to the RIP as approved during the budget process each year. These contributions were linked to contributions to the Virginia Retirement System ("VRS") and the City Supplemental Plans maintained for the benefit of employees. There was no contribution to the RIP for FY 2011 and none is budgeted for FY2012. The RIP is currently administered by Prudential, which administers other retirement plans for the City.

The adoption of the Second Amendment to the RIP will require all employees who currently have a balance in the RIP to take action on or before **October 17, 2011**. The change is administrative and does not affect how the City-paid contributions are determined, who is eligible to receive the contributions, or most investment decisions employees make to grow their accounts.

### The Second Amendment to the RIP

The Second Amendment, which was adopted as part of the City's efforts to simplify the administration of the City's defined contribution plans and in response to concerns from employees regarding Prudential's administration of City retirement plans, has led to two major changes. First, effective May 10, 2011, all account balances in the RIP are 100% vested. This means employees own all contributions and earnings in their accounts and will not forfeit their account. (However, the RIP balances are still subject to market fluctuations depending on which accounts employees have invested their RIP money at Prudential.) The RIP account has been terminated at Prudential and account balances at Prudential must be moved. Second, the City will make any future budgeted RIP contributions into employees' 457 Deferred Compensation Plan (the "457 Plan") accounts, which are administered by ICMA-RC. The 457 plan is a savings plan available to state and local government employees that allows them to save through payroll contributions deducted on a pre-tax basis. Employers may also contribute to employees' 457 plans. Employees who do not presently have a 457 Plan account will need to enroll in the 457 Plan when the City makes new RIP contributions to the 457 Plan.

### Employee Action Required Before **October 17, 2011**

Employees have until **October 17, 2011**, to choose what to do with their RIP balances held at Prudential. Employees may choose to:

- A. Roll-over their current RIP balances to their City 457 accounts at ICMA-RC and defer paying taxes at the time of the roll-over (The money rolled over from the RIP to the 457 account will still be treated as 401(a) money, which means that the 401(a) provisions still apply to these funds. Employees who do not have a 457 Plan account may enroll at this time.); or
- B. Roll-over their current RIP balances to their own individual qualified plans at Prudential and defer paying taxes at the time the account is rolled over; or
- C. Roll-over their current RIP balances to other qualified plans, such as a traditional IRA, and defer paying taxes at the time of the rollover; or
- D. Withdraw their RIP account balances (**Withdrawals are subject to federal and state taxes and probably an additional ten percent tax for early distribution. Employees who plan to withdraw money may want to discuss with their tax advisor the tax consequences.**); or
- E. A combination of the above.

It is in your best interest to act before **October 17, 2011** so you can decide what to do with your money. After October 17, 2011, employees who have not taken one or more of the actions above will no longer have a choice as to how to close their RIP accounts. Instead, the City will work with Prudential and ICMA-RC to close all remaining RIP accounts and move the balances to the 457 Plan.

## Employees Should Act to Roll Over RIP Balances to the 457 Plan Before October 17

Employees choosing to roll over RIP Balances to the 457 Plan with ICMA-RC will need to contact Prudential at the number in the next section and provide the transfer information described below. Current members of the 457 Plan should take this time to review their investment allocations in the 457 Plan before transferring and may do this when logging on to the ICMA-RC website at [www.icmarc.org](http://www.icmarc.org). The City ICMA-RC Representative, Gloria Moody, is available to provide employees with any assistance they need in transferring their RIP money to the 457 Plan, registering and logging onto ICMA, or reviewing 457 investments. Gloria's telephone number is **866.328.4666** (select Option 1). She will return calls up to 9:00 p.m. Monday – Friday. Additional useful information from ICMA-RC is attached.

## Rolling Over or Withdrawing Money from Prudential

Whether they choose to roll over or withdraw their RIP balances, all employees should call Prudential at **877.778.2100** before **October 17, 2011**, to complete these processes. Prudential has client service representatives to assist employees who call Monday – Friday during the hours 8 a.m. – 9 p.m. The automated system will ask the reason for the call. Employees can tell the automated system they are calling to withdraw their money from their account under **contract 719118**. The automated system will ask for additional information and then transfer the calls to a representative.

Before calling Prudential, employees will need the following information:

1. The employee's social security number;
2. The employee's PIN (if the employee has established a PIN with Prudential); and
3. The address that Prudential has on the employee's RIP record (the address where the RIP statements are mailed each quarter). Prudential asks this information as part of their process to verify callers' identity.

For roll-overs to qualified plans such as the 457 Plan and traditional IRAs, employees need the following information:

1. Name of roll-over institution;
2. Address where Prudential is to mail the check (no wire transfers); and
3. Employee's account number and name in the roll-over plan.

For roll-overs to the 457 Plan, employees will need the following information:

1. Vantagepoint Transfer Agents/457
2. c/o M&T Bank  
P. O. Box 64553  
Baltimore, MD 21264-4553
3. 300832 + employee's name + last four digits of employee's SSN

### Considering the Tax Consequences

Before deciding what to do with RIP balances, employees should consider the tax consequences of this decision. The City paid all contributions into the RIP on the employees benefit. This means contributions and earnings accrued in the RIP have not been taxed to the employees and will be subject to federal and state taxes at the time they are withdrawn (either now or later after retirement). In addition to federal and state taxes, the amount withdrawn may also be subject to an additional ten percent federal tax if the employee is not 59 ½ at the time of receipt of funds. Employees may want to discuss with their tax advisors which of options A through E would be best suited to their current and future financial needs.

Any RIP money that employees roll over to ICMA-RC will go into their 457 accounts and is not considered a withdrawal. However, the money will be identified as a roll-over from a 401(a) account and that money and future earnings on that money will be tracked separately from 457 money. The 401(a) money within the 457 Plan will still be subject to the same tax and withdrawal provisions for 401(a) money. The 401(a) provisions do not change. Withdrawals of 401(a) money may be subject to an additional ten percent tax if withdrawn before age 59 ½. Roll-over money to the 457 Plan is included in the total balance eligible for a loan or an emergency withdrawal. Employees should discuss the consequences of withdrawing 401(a) money with their tax advisors. Employees with questions on roll-over money still being treated as 401(a) money should address their questions to

Employees who plan to roll over their RIP balances to other funds should contact the fund administrator to learn the rules on how withdrawals of their 401(a) money will be treated in the future.

### Second Mailing to be Sent to Employees Without a 457 Plan Account

As a convenience, a 457 Enrollment Kit will be sent to the work addresses of all employees who do not currently have 457 Plan accounts with ICMA-RC. The 457 Plan allows employees to save on a payroll-deducted, pre-tax basis. Employees may contribute as little as \$10 per pay period or as much as \$16,500 per calendar year. Employees who are 50 or older may contribute as much as \$22,000 per calendar year. The annual contribution limit is subject to change each year by the Internal Revenue Service. Employees may change or stop contributions at any time. There is no required minimum balance for the 457 Plan accounts. These funds are subject to 457 withdrawal rules.

For more information about the 457 Plan, employees may visit the ICMA-RC website at [www.icmarc.org](http://www.icmarc.org) or call the City ICMA-RC representative, Gloria Moody, at **866.328.4666**. Ms. Moody can help employees complete the 457 Enrollment Form and discuss other tax deferred plans that ICMA-RC offers. Gloria will return calls Monday through Friday, from 8:30 a.m. to 9:00 p.m., Monday through Friday.

Informational Meetings

The Pension Administration Division has scheduled the following meetings to answer employee questions regarding the transfer of the RIP to other plans and the actions employees must take on or before **October 17, 2011**. Pension staff will give a brief overview of the change and be available to answer questions. Any meeting at the Sheriff's Office Roll Call Room will stop while Roll Call takes place.

<b>Date</b>	<b>Time</b>	<b>Location</b>
July 18	8:00 a.m.	Sister Cities 1101  This meeting is part of a Fire Marshals' meeting
July 19 and 20	4:30 p.m. – 7:00 p.m.	Roll Call Trailer Sheriff's Office
July 25, 26, 27, and 29	8:00 a.m. – 9:00 a.m.	Fire Station 209 General Meeting Room – 1 <sup>st</sup> Floor Entrance at rear of building – look for signs  Gloria Moody from ICMA-RC will also be available to answers questions on and provide assistance with transferring accounts balances to the 457 plan
August 9 and 10	3:00 p.m. – 8:00 p.m.	Roll Call Trailer Sheriff's Office  Gloria Moody from ICMA-RC will also be available to answers questions on and provide assistance with transferring accounts balances to the 457 plan

Employees should plan to attend one of the employee meetings. Any employee who still has questions after the above meetings may contact one of the following members of the Pension staff.

<b>Pension Staff</b>	<b>Telephone</b>	<b>Email Address</b>
Theresa Nugent	703.746.3887	theresa.nugent@alexandriava.gov
Steven Bland	703.746.3886	steven.bland@alexandriava.gov
Arthur Lynch	703.746.3885	arthur.lynch@alexandriava.gov

**ATTACHMENTS:** ATTACHMENT I: Manage your retirement account online  
ATTACHMENT II: VantageTrust Investment Options  
ATTACHMENT III: ICMA-RC's Simplified Investing Options  
ATTACHMENT IV: Premier Services

**CC:** Bruce Johnson, Acting City Manager  
Michele Evans, Deputy City Manager  
Christopher Spera, Deputy City Attorney